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A stronger, more diverse and independent community sector – Issues Paper

Response from Mallee Family Care
November 2023

Executive Summary

Mallee Family Care (MFC) welcomes the opportunity to respond to the Australian Government's *Issues paper – A stronger, more diverse and independent community sector.*

MFC is a place based, not-for-profit community service organisation (CSO) that has been supporting the regional, rural and remote communities of northwest Victoria and far west New South Wales since 1979. Our organisation employs almost 300 staff to deliver more than 60 federally and state funded programs reaching thousands of community members across the Mallee region. These programs span family, youth and children, disability, mental health, housing, legal, financial, research, education, philanthropy, and advocacy.

MFC embodies what it means to be truly place-based, creating and leading local solutions targeted to the specific needs of our community. We are committed to ensuring that clients get the right support, in the right environment, at the right time. We work tirelessly to achieve the best outcomes for vulnerable children, individuals, and families, who are facing disadvantage.

Like many CSOs, MFC has faced significant challenges in recent years stemming from funding cuts to the community service sector, escalating service delivery costs and funding models that fragment service delivery and continuity. This funding environment has eroded our sector's capacity to provide vital services to society's most vulnerable people. Ensuring that our services remain efficient, accessible and of the highest quality has become an ongoing – and increasingly complex – challenge.

In this submission, we discuss these challenges and their impacts on our community in more detail and provide case studies from the Mallee region. We also offer solutions that we believe would provide a more stable and sustainable platform for service delivery.

MFC remains committed to the belief that place-based service delivery is vital to achieving positive outcomes. By investing in place based CSOs like MFC and taking a longer-term approach to funding, we can collectively strive towards achieving stronger and more resilient communities in which opportunities are available for everyone.
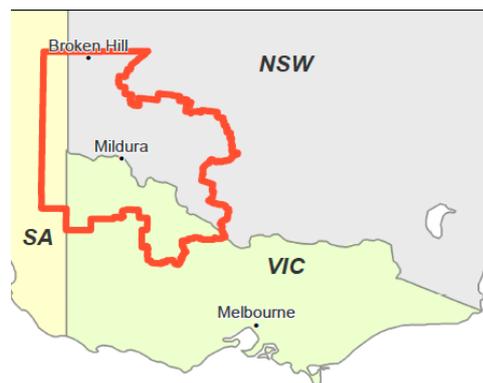
Response to consultation questions

1. Giving the sector the voice and respect it deserves through a meaningful working partnership.

1.1 What would a partnership between CSOs and the government that achieves outcomes for Australians being supported by the community sector look like?

Strong and genuine partnerships mutually benefit both government and the community sector. These collaborations enhance the government's capacity to address complex social issues, and also empower CSOs to optimise service delivery and achieve the best possible outcomes for vulnerable children, individuals, and families who are facing adversity.

A fundamental aspect of genuine partnership with CSOs is the active collaboration and co-design throughout policy and service development processes, as well as during the grant lifecycle. Rather than viewing CSOs solely as funding recipients, it is imperative to regard them as equal partners contributing to overall program design. This shift in perspective should extend beyond financial accountability, emphasising the importance of mutual feedback, collaboration, and respect.

At present, there are limited opportunities for CSOs to engage in meaningful collaboration with government in co-designing programs and strategies aimed at enhancing outcomes for service recipients. This is particularly true for regional, place-based CSOs which are less likely by default to be engaged compared to larger, national CSOs. This is a missed opportunity given the wealth of localised knowledge and insights that these organisations possess which can significantly enrich the co-design and delivery of solutions for their communities.

Another important consequence of the lack of collaboration in program design is that funding models often fail to account for outcomes and evidence as meaningful inputs. This can have far-reaching implications for the effectiveness and impact of programs and services, including inefficient allocation of resources.

Other challenges for genuine partnership that need to be addressed include:

- Funding models that are program-focused but fail to support other core organisational activities. These activities are crucial for genuine partnership and optimising service and community outcomes. For example, place-based CSOs have less capacity to raise philanthropic funds than national CSOs, and also have additional resource constraints like travel costs and staffing challenges. Similar activities that are not currently funded, but are important to enable meaningful partnership, include engaging in government consultations and policy development, advocacy and representation, and participation in co-design processes.

  The current grant-reliant model of funding also impedes genuine partnership with CSOs, and is fundamentally flawed in a system designed to solve complex, deeply embedded social issues. This model often entails short funding cycles, overlapping

programs and funding streams, and a degree of duplication. It also places a high administrative burden on CSOs, particularly small and medium sized ones, due to the continual demand for funding applications and reports which often have tight timeframes. Short term funding cycles also make it difficult to sustain programs over an extended period and limit our ability to scale up successful programs, measure outcomes, or expand services to reach more individuals and communities.

- The need to elevate voices of, and capacity within, regional place-based CSOs who play a unique role in advocating for the issues and needs of our communities. Strong partnership with truly place-based CSOs can lead to the development and implementation of creative, evidence-based, and community-focused solutions that are more likely to deliver positive outcomes. We are also able to be more agile, adaptable, and community focussed – traits that were recently demonstrated during the COVID-19 pandemic response.

  Too often governments rely on partnerships with, and advice from, national CSOs and fail to undertake dedicated engagement with regional and local CSOs who are actually place-based – in that they are deeply embedded in and understand the communities that they serve.

- A persistent emphasis on CSO partnerships does not always translate into better program design, improved service delivery, or improved community outcomes. In fact, it unintentionally and detrimentally fosters a competitive ethos among CSOs where securing grants becomes more important than the collaborative sharing of best practices and resources. Organisations are forced to compete through open procurement processes, and then to partner to work collaboratively. This dynamic undermines the sustainability of the sector, fails to deliver better outcomes for communities, and must be resolved as a priority.

  There should instead be a focus on allowing partnerships to emerge organically and assessed on their overall suitability. Fostering organic partnerships allows CSOs to prioritise the development of place-based, community-centred solutions leading to more responsive, adaptable, and effective programs.

  We expand on this issue further in response to question 5.

- Many grant processes fail to prioritise outcomes that matter to our communities, and as a result the true impact of our services and programs are often not reported to government. Program and funding outcomes need to be co-designed and agreed within a CSO and government partnership, at a more localised level where possible.

Recommendations

- Government should work with the community services sector to co-create a shared long-term vision for (and roadmap to) a stronger, more diverse independent sector. It is important that rural and regional CSOs are supported to engage in this process, and their unique needs addressed.

- Development of agreed protocols for co-design in policy and program design, as well as across the grant lifecycle. These methods should consider co-design participation challenges for regionally-based organisations.

- Develop funding models that:
    - Reduce the reliance on, and burden of, cyclical grant funding and support a sustainable and effective community service sector.
    - Support organisations to participate in consultations, co-design processes, advocacy, and representation.
    - Encourage long term planning to promote service continuity and staff retention.
    - Allow CSOs to be flexible and adaptable in meeting and responding to changes in local needs.

- Develop dedicated strategies, forums, and support to enable partnership and co-design with place-based CSOs at the regional level.

- Improve coordination and linkages across state and federal funders to streamline and minimise reporting burdens on CSOs, particularly those delivering services across multiple jurisdictions.

- Create frameworks for effective communication that address the need of both internal and external stakeholders.

- Support the development of regional service provider networks who will collaborate to identify local issues, services and service gaps, community resources and needs.

1.2 How can CSOs and government streamline the sharing of information, particularly through utilising technology to effectively engage, distribute, share, influence and inform in a timely and efficient manner?

Effective partnership between government and CSOs thrives when there is open, transparent, and consistent communication providing for the empowerment of all parties – including the communities being served.

In the absence of these conditions, it becomes increasingly difficult to build a shared understanding of the priorities and objectives that in turn engender collaboration. Concurrently, effective decision making is undermined and allows for inefficiencies, such as duplication, to emerge.

Participation in consultation processes and co-design is an important mechanism for CSOs and government to exchange information, though the burden placed on CSOs to respond to written consultations is significant, poorly timed (i.e., several consultations at once) and often duplicative.

At the working level, grant managers (government) engage regularly with program staff (CSOs) through regular meetings, forums, visits, and reporting mechanisms. These help to

facilitate dialogue and ensure all parties are aligned in their goals and actions and should be continued.

MFC places a strong emphasis on building and maintaining working relationships and having open channels of communication with grant managers. However, the high turnover of agency grant managers presents an ongoing challenge for program staff. A consistent and knowledgeable grants manager who understands the needs of our region and the specifics of the funding arrangement is valuable for successful program delivery. When turnover of grants managers is high, it impacts on program coordination and CSO staff bear the burden of upskilling departmental staff which is time-consuming and impedes progress.

While the knowledge and experience of individual grants managers may vary, there should be standardised processes in place to ensure consistent service delivery and understanding across the board.

Recommendations

- Co-create frameworks for effective communication that consider the needs of government, CSO and local communities.

- A forward work program and platform for inclusive, effective, and strategic sector engagement. This platform should highlight the unique needs of rural and regional communities and services.

- Coordination between federal and state government agencies to streamline consultation requirements and promote better sharing of strategic sector insights.

- Develop strategies to promote the continuity of departmental grant managers.

1.3 How can government ensure the community sector, including service users and those not able to access services, have an opportunity to contribute to program design without imposing significant burdens?

Regional and local place-based CSO's are uniquely placed to facilitate community engagement and co-design processes with service users and those otherwise not able to access services. They also understand the service provider landscape in their respective regions, including smaller community-based organisations who are connected locally and able to provide invaluable contributions to program design.

However, engaging in the program design process can place significant burden on place-based CSOs and their communities and there are several persistent barriers that need to be addressed including:

- Limited resources – regional organisations like MFC have limited financial and human resources, making it challenging to allocate staff time to active participation in program design efforts. There are no mechanisms for MFC to access funding to cover the costs associated with participation in program design.

- Geographical isolation – remoteness can isolate place-based organisations and rural/remote community members, making it difficult to participate in program design

discussions. In the Mallee region, this is important as our services span 100,000 km^2 and it is vital that people living in remote parts of our region are involved in these processes; however, their travel costs are not covered under any existing funding model.

- Travel and logistics – in addition to travel costs for individuals, the travel costs for MFC staff to attend meetings, consultations and conferences in metropolitan centres can be prohibitive. This limits participation in in-person discussions and workshops.

- Technology challenges – access to high-speed internet, digital tools and online platforms can be limited in our region and there is no funding for MFC to compensate for this issue.

- Competition for attention – regional organisations like MFC often compete with larger, more influential organisations for the attention of decision-makers. This makes it harder to ensure that our unique voice, which is representative of the community that is serves, is heard.

Recommendations:

- Develop clear, standardised consultation and co-design frameworks that outline the processes for engaging with the community sector. These frameworks should include guidelines for the involvement of diverse stakeholders and the methods of engagement, ensuring a consistent and transparent approach.

- Implement a structured feedback mechanism where organisations can relay on-the-ground observations, gaps, and outcomes to higher levels of the department. This could include targeted survey and feedback forms, using tools that are user-friendly and accessible and in a variety of formats.

- Encourage and incentivise organisations to identify gaps and develop solutions, promoting proactive problem-solving at the community level.

- Build the skills and capacity of regional CSOs to lead co-design processes with local communities. Ensure they are adequately resourced and funded to undertake this work.

- Instate periodic reviews designed to realign programs to current community needs.

- Ensure that community members have equal opportunity to participate in these programs through the use of adaptive technologies, varied communication channels, apps that can collect feedback from those with physical or geographical constraints, and support for travel costs for those in rural and remote areas.

2. Providing grants that reflect the real cost of delivering quality services.

2.1 What would adequate and flexible funding look like?

A strong, diverse, and independent community sector hinges on having a stable and adequate funding environment. For several years, CSOs have been grappling with funding shortfalls, a situation that has become increasingly unsustainable.

Research published by the Australian Council of Social Services (ACOSS) in 2021 found that government contracting and funding arrangements continue to place CSOs under undue strain due to inadequate funding, insufficient funding flexibility, short funding cycles and performance targets that poorly reflect service priorities.

The government's recent dedication to aligning grant funding with the actual cost of delivering quality services is a much anticipated and long-overdue change. While this is a positive step, we need to look beyond this funding model towards a genuine partnership model where CSOs are supported by government to have the tools and resources they need to deliver critical, community-based services.

Mallee Family Care has long advocated for a genuine review of the government funding model, as the competitive nature of the current tendering process by its very nature pits agencies against each other, reducing collaboration, coordination, and information sharing. The government directed processes and procedures for the funding of social services were put in place to manage contractual outputs, which are at odds with the client- and outcomes-focused work of the sector.

In essence, the excessive compliance and increased regulatory mechanisms have been prioritised over the wellbeing and outcomes of the people our services support.

For MFC, the current funding environment has several significant impacts including:

- Staffing and workforce instability resulting from reduced employment security and the prevalence of short-term employment contracts. Staff retention and recruitment is particularly challenging in rural and remote areas like the Mallee region, so high turnover can negatively impact our program delivery and the development of institutional and community knowledge.

- Pilot programs, short term and program-specific funding cycles make it difficult to sustain programs over an extended period and limit our ability to scale up successful programs or expand services to reach more individuals and communities. This constrains our ability to address increasing demand or respond to emerging needs.

- High administrative burdens and inadequate resourcing for essential CSO functions remains prevalent. These essential functions include the capacity for advocacy, engagement in consultation processes with government, building relationships and partnerships with other sector stakeholders, and completing funding applications. This is a particularly important issue for place-based CSOs like MFC, who do not have the same level of resourcing as large national organisations and are therefore less able to compete for funding – despite often being the most appropriate organisations to deliver programs and services on the ground.

- A lack of sufficient time for meaningful co-design, process which necessitates robust engagement and partnership. As a result, the true potential of co-design is often

unrealised, with organisations performing this work in-house based on existing knowledge and experience.

- A persistent emphasis on partnerships, which does not always lead to better program design, delivery, or outcomes. The current approach to funding engenders a competitive ethos among CSOs that nonetheless must be reconciled with the government's preference for partnerships. This dynamic undermines the sustainability of the sector and often fails to deliver better outcomes for communities. There should instead be a focus on allowing partnerships to emerge organically and assessed on their overall suitability.

- Ineffective data, monitoring, and evaluation systems. Program evaluation often requires time to collect meaningful data and assess outcomes accurately. While MFC prioritises monitoring, evaluation, and data collection beyond what is required of our funding agreements, longer term funding cycles would enhance our ability to engage in robust monitoring and evaluation processes and ensure the optimal effectiveness of our programs.

Furthermore, particularly in regional and isolated areas, truly place-based organisations are losing program funding through the awarding of government contracts to large, city-centric agencies with little or no established relationships in the region or understanding of local context. Such rationalisation risks ill-informed service provision.

To truly address the needs of the community service sector, a more comprehensive shift in funding methodology is necessary. Such a shift should encourage long-term planning, the establishment of meaningful objectives and outcomes, and the development of more sustainable business models for place-based regional CSOs. This fundamental change would not only ensure that CSOs receive the resources required to provide consistent and effective services but also enable these organisations to focus on the long-term well-being and resilience of the communities they serve.

If the government values truly place-based CSOs, and seeks to foster stronger partnerships, it must be acknowledged that the existing funding landscape does not align with current community needs or expectations. Government must reflect carefully on the environment that they have established in the community service sector and hold themselves accountable for its effectiveness.

Above all, clear, consistent, and realistic funding models that reflect the true cost of service delivery are vital for CSO sustainability and effectiveness. Providing multi-year arrangements would help to give CSOs stability and enable long-term planning and resource management. We acknowledge recent efforts by the Department of Social Services to streamline and improve community sector grant funding, including moving some programs to longer-term (5 year) funding agreements.

Importantly, long-term funding must be flexible and adaptable, allowing organisations to respond effectively to changing community needs. Communities are not static. Over the years of its operation, MFC has witnessed a great deal of change in our communities and has adapted service delivery to reflect these changes. More flexibility in funding helps

organisations to optimise the delivery of services and sustain operations, but also adapt to changing community needs or service requirements.

A practical example of where funding could be more flexible is allowing organisations to redistribute where appropriate the brokerage component of funding – which could be used in more meaningful ways but at present is not transferable to other program expenses.

There are also barriers to utilising unspent funding from one financial year into the next. If funding for the entire contract was provided within the full contract dates, rather than requiring acquittal and potential recoupment of funding each year, the administrative burden would be reduced. Programs would then be able to use funding in more efficient and effective ways.

Recommendations

In addition to the funding-related recommendations above, MFC suggests that government:

- Develop a dedicated funding stream for long term, strategic partnerships with regional CSOs that are well-established and ideally placed to lead regional initiatives to address complex social issues in collaboration with government and other stakeholders.
- Consult with CSOs on their funding flexibility needs and adapt guidelines accordingly.

2.2 What administrative and overhead costs are not being considered in current grant funding?

The administrative and overhead costs for CSOs, particularly those servicing regional, rural and remote locations, are significant and largely unfunded through existing grants or government funding mechanisms.

For larger, national organisations, these costs can be funded through philanthropic sources and implemented at scale. However, for truly place-based organisations like MFC, the capacity to raise philanthropic funds is significantly lower and ability to scale efficiencies is more limited. These administrative and overhead costs include:

ICT equipment and systems
COVID-19 changed the way that services are delivered in the Mallee region, necessitating a shift to a more flexible digital basis and the employment of more staff in remote locations. MFC was predominantly paper-based before the pandemic; now processes are largely electronic, and staff have the resources they need to be mobile. The cost of equipping staff with this new technology has been, and will continue to be, significant for MFC and there has been no external funding available for this sudden and significant shift.

For example, MFC has recently invested in a costly Customer Relations Management system which will improve our record keeping, data and reporting, and service to clients. This system has become vital for our operations, but MFC was unable to secure external funding for this project.
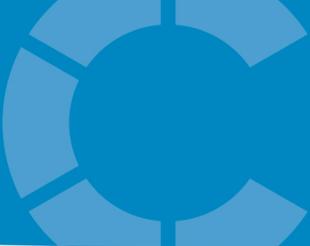
The proportion of funding taken up by administration and ICT costs continues to rise. In 2021-22, MFC's administrative and ICT costs were 14.85% of funding; by 2023-24 those costs will have risen to 18.97%, demonstrating that funding models do not align with actual organisational cost for service provision. This means that governments are transferring more responsibility and costs to CSOs, which is untenable and unsustainable. Forecasting suggests CSOs will not be able to meet continued demand and pressures, placing vital community support at risk. Investment by government thus requires a systemic review of funding arrangements followed by a revised approach.

Travel costs and staff recruitment/retention

In addition, staff recruitment and retention expenses have increased as have travel costs associated with service delivery, staff training and supervision. For example, within the MFC Community Legal Centre, travel expenses have doubled from 2021-22 to 2022-23. Again, these increases in program delivery, service delivery and operational costs are not covered under any existing grant or government funding arrangements and have been absorbed by MFC.

Human resources functions are also not supported by grant funding, despite being crucial to the recruitment, retention, and management of program staff.

Compliance

There are also significant compliance costs that are absorbed by CSOs, in addition to the fact that the compliance requirements set by government continue to grow. This is despite the fact that government has not been able to demonstrate that this extra compliance burden has resulted in improvements. In future, this can be avoided by properly extending the co-design process to identify areas of compliance that are actually fit for purpose – and thus embed buy-in by stakeholders from an early stage.

Recommendations

- Develop a dedicated funding stream for regional CSOs to apply for funding to cover non-program overhead, administrative, and operational costs.

- Introduce a loading on grants for genuinely place-based CSOs in regional and rural areas, to recognise the benefits and the difficulties in achieving economies of scale and to reflect their higher operational and travel costs.

- Deliver one-off funding for genuinely place-based CSOs in regional and rural areas for digital transformation projects, to enable modern service delivery post-COVID-19 and create administrative and organisational efficiencies.

2.3 How are rising operational costs impacting the delivery of community services?

Rising operational costs that are unfunded in grant processes leave MFC in a compromised position and reduce the ability of the organisation and its staff to deliver optimal outcomes for the community.

It can often result in changes to the scale or reach of programs and services being provided to the community, in the ability of the organisation to undertake important advocacy and

stakeholder engagement (including consultation participation), and in our capacity to address increasing demand or respond to emerging needs.

It also reduces the capacity for MFC staff to deliver services across all communities in the Mallee region, including in some of our most remote locations. While every effort is made by MFC to avoid postcode injustice, the reality of travel costs, resource constraints and a challenging fiscal environment have an inevitable impact on our ability to service all areas of our region.

See the case study below for an example of rising operational costs impacting on the delivery of the Communities for Children program in the Mallee region, and on MFC as the facilitating partner for this program.

CASE STUDY: Communities for Children in the Mallee region

Communities for Children (CFC) is a place-based model, supporting children and families in 52 disadvantages communities throughout Australia. This Department of Social Services (DSS) initiative has a focus on early intervention to support families to build on their skills and improve relationships to promote the health and wellbeing of children.

MFC is the facilitating partner of the CFC initiative in the Swan Hill local government area, with two primary roles:

- Direct services to community by funding organisations (Community Partners) to deliver programs.
- Support collaborations and partnership, particularly with grassroots community groups, to delivery facilitation activities. This includes establishing and maintaining a CFC committee to undertake and collate community consultation information. This needs assessment is used to inform the strategic direction of the CFC initiative and ensure programs and activities delivered meet the needs of the communities across the service area.

While the program has been largely successful, **the funding model presents significant challenges for MFC as the facilitating partner** including:

- Increasing operating costs have impacted the initiative's ability to deliver soft engagement activities in partnership with grassroots community groups across the LGA. This is not unique to the CFC program; however, as the funding structure requires 50% of the grant funding to be allocated to Community Partners, all cost increases are borne by MFC and there is no additional funding to cover this gap.
- Increasing costs also impact the ability of Community Partners to delivery planned ongoing programs. It is therefore envisaged that when negotiating the next Community Partner contracts in 2023, program sessions will need to decrease as partner organisations will not be able to deliver the same outputs and outcomes without a funding increase.
- CFC has a requirement that 50% of programs are chosen from an approved, pre-determined list. It has been consistently reported to DSS that this list restricts the ability to choose programs that are suitable for children and families with disability, who are Aboriginal and Torres Strait Islander, or who come from culturally and linguistically diverse backgrounds. This is reported by organisations who work closely with these groups as the primary reason that children and families do not attend CFC programs.

2.4 What have been your experiences with, and reflections on, the supplementation and change to indexation?

While there has been some effort from federal departments to introduce measures to address rising inflation, and these efforts are welcome, it is important to note that the supplementation and/or indexation provided is never the same as the Consumer Price Index.

As a result, even in instances where there are additional provisions, it is not sufficient to cover rising costs.

MFC has experienced a significant and ongoing erosion in funding levels due to the rising costs of service delivery and operations. Many of our multi-year funding agreements do not include funding increases to reflect this unexpected and unaccounted rise in costs to the organisations. This is particularly true of travel costs, which as stated above have doubled in some instances.

Recommendation

- Timely and transparent indexation, in line with CPI, for all government funding, to ensure sustainability and growing service demand.

2.5 How can CSOs and the department work together to determine where funds are needed most to ensure equitable and responsive distribution of funds?

The current funding environment has placed financial strain on the community service sector as a whole; however, there will be segments of the sector where these impacts are most significant and where there is less ability to secure alternative funding.

There are also significant differences in the levels and complexity of need between geographic locations and sub-groups within the population.

Recommendations

To determine where funds are needed most in a way that is equitable, evidence-based and responsive, the department should:

- Establish clear and transparent criteria and guidelines for grant applications and funding allocations. Seek input from CSO's to identify where they can have the most significant impact.
- Design outcome measures and systems in partnership with CSOs.
- Prioritise equity and inclusivity in funding decisions, ensuring that marginalised and underserved communities receive the support they require while promoting access to services for all.
- Ensure a responsible mechanism that allows for quick allocation of resources to address emerging or urgent issues.

2.6 How can government streamline reporting requirements, including across multiple grants, to reduce administrative burdens on CSOs?

Reporting requirements should be streamlined to make the reporting process as efficient as possible for community organisations, and to ensure that the right information (including outcome measures) are being captured.

By reducing the administrative burden, CSOs can redirect their resources to where they matter most: serving their communities.

Recommendations

Strategies to improve reporting may include:

- Unified Reporting Systems – Governments could create a centralised and unified reporting system where all grant-related information can be inputted, accessed, and analysed. This "one-stop-shop" approach would eliminate the need for organisations to learn and manage multiple systems.

- Standardised Reporting – Instead of having different requirements for each grant, the government can standardise the data they require from all grantees. A common template or format would make it easier for organisations to understand and fulfill their reporting obligations.

- Flexible Reporting Intervals – Rather than rigid reporting timelines, governments can consider flexible intervals based on the nature of the grant and the capacity of the organisation. For instance, smaller grants might only require annual reporting, while larger ones might benefit from more frequent check-ins.

- Digital Platforms – Leveraging technology can lead to a more seamless reporting process. An intuitive online platform where organisations can submit reports, track grant usage, and communicate with grant officials can simplify the process considerably.

- Post-Grant Evaluations – Instead of multiple reports during the grant period, consider post-grant evaluations where organisations showcase the impact and outcomes of the grant. This shifts the focus from bureaucratic reporting to actual results and learning.

It is imperative to highlight that the recommendation for post-grant evaluations must be supported by additional funding to resource this expectation. The additional funding can be earmarked and costed as part of the co-design process.

3. Providing longer grant agreement terms.

3.1 What length grant agreements are CSOs seeking to provide certainty and stability for ongoing service delivery?

Short-term grant arrangements (less then 3 years) and late grant variations/extensions (less than 12 months notice) have significant and detrimental impacts on CSOs as outlined in our response to question 2 above.

Recommendations

- Incorporate criteria or scoping mechanisms into all tenders and ongoing funding agreements, giving higher ratings to truly place-based CSOs. This approach will help to maintain long-term, productive relationships that ultimately benefit the community.

- Consideration should also be given to longer-term, strategic partnership arrangements with regional CSOs who provide vital links to the local community and smaller service providers, but who face unique challenges including operational costs and difficulties recruiting and retaining staff in regional, rural and remote locations.
- Review the open competitive procurement processes and develop alternative funding models to support an effective and more sustainable community service sector.

3.2 What timeframes should the government aim for, at a minimum, to provide final outcomes on grant variations/extensions before the current grant ceases?

Recommendation

- The minimum notice period for grant variations/extensions should be 12 months before grant cessation.

3.3 What funding flexibility do CSOs require to enable service delivery and innovation?

See above response to 2.1.

3.4 What flexibility is required by CSOs in acquittal processes to support and encourage sector innovation?

The acquittal process currently in place for federal departments is relatively straightforward, provided that all parties are sufficiently organised.

State government acquittal processes are more challenging, and vary significantly across programs and jurisdictions. To ease the administrative burden on organisations, particularly those who operate across borders, there is a role for the federal government to play in helping to align acquittal processes and guidelines for CSOs.

Recommendation

- Ideally funding for the entire grant contract would be available within the full contract dates, rather than requiring acquittal each year. This would enable organisations to use funding in more efficient and innovative ways across financial years.
- The Commonwealth Government should work with states and territories to align and standardise acquittal processes and guidelines where possible.

3.5 How can government improve the variation process, with consideration that CSOs must demonstrate alignment with the grant agreement and provide evidence of value-for-money outcomes?

Improving the variation process in government grants is essential for CSOs given the resource intensive nature that variations entail, the lead time they take to finalise, and the impact delayed variations can have on overall program performance.

One of the most effective strategies to mitigate the need for variations is to minimise their occurrence in the first place. This is another argument for including a robust co-design ethos into the funding mechanism from initiation through to implementation.

Recommendations

- By engaging in a co-design approach at the outset of the funding process, the government and CSOs can collaboratively identify and align on objectives, expectations, and deliverables. This collaborative effort ensures that both parties have a shared understanding, potentially reducing the need for variations later on.

- With the foundation set through co-design, employ a standardised reporting template, making the evaluation process more straightforward and reducing administrative overhead.

- Leverage digital platforms for easy submission and tracking, ensuring that CSOs and the government remain aligned throughout the project's lifespan.

- Create feedback mechanisms to address any potential deviations from the co-designed plan early on, ensuring that CSOs and the government remain on the same page.

- Set clear benchmarks and transparency for evaluation criteria, allowing CSOs to have a clearer understanding of expectations and reducing the likelihood of deviations that necessitate variations.

By promoting co-design and stressing the importance of minimising variations from the outset, the government can foster a more collaborative and efficient grant process, ensuring that resources are utilised effectively, and desired outcomes are achieved.

4. Ensuring grant funding flows to a greater diversity of Community Service Organisations.

4.1 How can the government ensure opportunities are available for new and emerging organisations to access funding?

We strongly advocate that priority of government should be to strengthen the existing community service sector and ensure that CSOs are funded and supported to maximise their reach and impact.

While new and emerging CSOs may be important to meet a particular service or community need in some instances, and this should be recognised through competitive grant processes, our view is that adding more organisations to a fundamentally flawed system of funding is not the answer.

Existing CSOs have worked hard to build community trust and stakeholder relationships, provide stability and continuity in service provision, build workforce and organisational knowledge and expertise, and to ensure they are able to adapt and respond as community needs change. There is significant untapped potential in CSOs like MFC, which would be

unlocked through better funding arrangements, more systematic involvement in program design, and a genuine focus on supporting place-based organisations and community-led solutions.

If there are gaps in services for particular locations or sub-populations, government should first seek to address those gaps through existing CSOs rather than prioritising funding and support for new organisations. There is a significant amount of overlap in the sector already, which does not lead to better outcomes or represent value for money.

4.2 What programs, supports and information are already available for smaller CSOs to help build capacity of the organisation? Are these working?

The government's issues paper does not define what is considered a small CSO, so for the purpose of this response we consider a small CSO to be one that operates with limited staff in a compact geographical area.

Where appropriate, MFC actively engages smaller, place-based CSOs, often in the remote areas of the Mallee region. These collaborations may involve subcontracting arrangements, wherein the smaller CSOs deliver services on behalf of MFC in designated locations. Such an approach may be taken when MFC deems it more practical for local staff to provide services in their respective communities, rather than having MFC staff travel extended distances to remote areas.

In other instances, the smaller CSO may possess distinct but complementary skillsets within their organisation. Partnering with them enhances the overall service offering and ensures more comprehensive service delivery.

As part of these partnerships, there is a natural exchange of knowledge, resource sharing and mentorship. In some cases, MFC may offer training to partner CSOs to ensure alignment as part of the collaboration arrangements. This type of support could be more explicitly facilitated through dedicated funding for established place-based CSOs to share their knowledge with smaller CSOs.

4.3 How could larger CSOs support smaller CSOs? What are the barriers to providing this support?

Again, there is no clear definition of a larger or smaller CSO provided in the issues paper. A CSO can be large with a national reach, but it can also be a large organisation with a defined geographic service area, or a small organisation with few staff spread across multiple geographic locations. Whether MFC is considered large or small in the context of this consultation is unclear. For the purpose of this response we refer to large national CSOs, smaller CSOs and regional, place-based CSOs.

Partnerships between CSOs of varying size and reach can serve as a critical factor in enhancing the effectiveness of some community service initiatives. However, it is not adequately recognised within the current funding arrangements that forced partnerships can also hinder the achievement of this goal.

There are a number of benefits that can arise from partnership at the program level and the organisational level, including enhanced policy and advocacy opportunities, training and

knowledge exchange, creating resource efficiencies and extending the reach or quality of service delivery.

In regional areas, place-based CSOs like MFC can deliver training for other smaller local CSOs, allowing them to develop skills at a lower cost than having to travel to metropolitan locations. Additionally, collaboration between our organisations helps to avoid duplication and promote the combination of local expertise and resources, which paves the way for more sustainable local solutions in the Mallee region.

However, it is important to note that benefits can only be realised in circumstances where organisations are genuinely partnering to meet a community need rather than scaling up to secure funding. Due to the current funding environment, partnerships are often weighted towards the latter. Local place-based CSOs remain uniquely placed to channel the voice of their communities and deliver locally appropriate services, and this should be recognised accordingly in funding arrangements allowing for partnerships to be established with other CSOs of any size when deemed appropriate by local organisations.

There are a number of additional barriers that must also be addressed from the vantage point of a regional, place-based CSO. For example, differing agendas among CSOs can lead to conflicts, especially when it comes to prioritising and decision-making. This is further complicated by unequal power dynamics, where the larger or more established entities might exert greater control, often overshadowing the contributions and needs of their smaller counterparts.

Communication barriers can also become a concern. With the involvement of multiple stakeholders, the complexity of communication can lead to misunderstandings and result in operational inefficiencies. Internally there might be associated challenges, such as differences in cultures that lead to differences in approach, values, and work ethics.

On the administrative front, partnerships often come with additional overheads, including coordinating meetings and handling paperwork to ensuring compliance with agreements. Over-reliance or dependency on a particular partner can be risky, making a smaller CSO vulnerable if the larger partner decides to withdraw support or resources. Lastly, reputational risk must always be considered. If one partner faces reputational damage, it can tarnish the reputation of all the associated organisations in kind.

Recommendations

In order to protect both large and small CSOs, the government should consider a number of measures, including:

- Embedding financial protections for large and small CSOs into the funding process.

- Mandating place-based stakeholders take part in any co-design process with reasonable remuneration for their time.

- Cooperating with the sector to develop a set of best practice principles regarding partnerships to ensure consistency in their usage becomes more common and understood.

5. Partnering with trusted community organisations with strong local links.

5.1 What is your experience with and reflections on place-based funding approaches?

Place-based initiatives are designed and delivered with the intention of targeting a geographical location and/or particular population group, in order to respond to complex social problems. Some initiatives focus on specific elements of disadvantage, or on specific subgroups within the community, while others are more holistic. Whatever the focus, there is strong consensus among CSOs on the importance of place as a platform for service and system reform.

Place-based funding approaches recognise the differences between and within communities, including demographic characteristics of community members, their level of requirements, and the configuration, availability, and accessibility of services. This is why place-based CSO's like MFC are so effective in delivering outcomes – we are deeply engrained in the local communities that we serve, trusted to provide appropriate services, and connected to community members and their needs.

Yet, despite these advantages, our experience is that funding for place-based initiatives is not always appropriately targeted at, or directed towards, truly place-based organisations. Large national organisations who have geographic spread (and in some instances, only a small presence in regional and rural communities) tend to dominate the national discourse around place-based initiatives and funding, which undermines the unique value that truly place-based organisations like MFC offer in solving complex societal issues.

Recommendations

- Dedicated place-based funding should, where feasible, be delivered to regionally located, place-based organisations to lead local initiatives and bring in expertise and resources from larger partner organisations if and where appropriate.

- Successful applicants should be chosen based on co-designed eligibility criteria centred on demonstrating existing links to the target community, past experience in local program delivery, and the ability to articulate how they intend to cooperate with larger CSOs if and when required.

- Placing local, place-based CSOs at the fore of program design, planning and delivery should be an important guiding principle of any place-based funding effort.

5.2 What innovative approaches could be implemented to ensure grant funding reaches trusted community organisations with strong local links?

MFC recognises that in the pursuit to optimise the impact of grant funding, there is an increasing recognition of the invaluable role played by community organisations with deep-rooted local ties. These organisations possess unique insights into local needs and dynamics, ensuring that resources are utilised effectively.

Innovative approaches are essential to connect funding with these genuine local champions, ensuring that resources not only reach the intended beneficiaries but also foster sustainable

community growth. As already mentioned, regional CSOs such as MFC are well placed to partner with government to help foster these relationships at the local level.

Recommendations

Innovative approaches are essential to connect funding with these genuine local champions, ensuring that resources not only reach the intended beneficiaries but also foster sustainable community growth. As already mentioned, regional CSOs such as MFC are well placed to partner with government to help foster these relationships at the local level by serving as an umbrella agent. Additional consideration might also include:

- Data-driven allocation of funding, which involves the use of community-based performance and impact metrics that measure the effectiveness and community impact of CSOs. Grant funding should be prioritised toward organisations with high scores and demonstrated impact.

- Creation of online platforms where organisations can transparently report their finances, projects, and outcomes. Such openness can increase trust among grant-giving bodies and the community and validate funding decisions.

- Co-design and ongoing feedback mechanisms that allow CSOs to provide input on grant application processes, criteria, and priorities.

5.3 Which areas do you consider have duplicative funding or gaps you think need to be addressed, and what is the evidence?

For a CSOs like MFC, one prominent funding gap that reverberates through our operations relates to the cross-jurisdictional nature of our work. Not only do we deal with Commonwealth funding, but we also have programs that rely on funding from the Victorian, South Australian, and New South Wales governments.

Absent standardised frameworks or practices that can cut across bureaucracies, MFC is left to allocate additional internal (and unfunded) resources to address compliance. Other areas of concern include:

- Lack of Interoperability: The absence of a consistent framework complicates the integration of systems and processes, which hinders information sharing and collaborative efforts to evaluate and improve service provision.

- Resource Redundancy: CSOs often have to invest in separate teams or tools to handle different jurisdictional requirements, leading to potential over-allocation of resources and the absence of adequate funding for core activities.

Recommendations

- Standardisation through co-design of funding mechanisms, reporting requirements, templates, and associated systems is highly recommended to reduce duplication, minimise errors, and allow CSOs to concentrate on servicing communities.

- MFC encourages the development a Memorandum of Understanding between state and federal governments to use consistent contracting processes for CSOs in order to reduce duplication of administration and regulation across borders.

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